

TOWN OF TEWKSBURY INVESTMENT POLICY

Purpose

The purpose of this policy is to establish guidelines that oversee the management of the Town's investments being defined as cash, cash equivalents, short-term investments and long-term investments. These guidelines shall include:

- Identifying the Town's cash management strategies
- Identifying the Town's investment goals, including its investment strategies and objectives
- Establishing and maintaining appropriate internal controls encompassing effective operational procedures

Scope

This policy shall apply to all funds maintained by the Town's Treasurer including the general fund, special revenue funds, debt service funds, capital project funds, trust and agency funds, the Town's enterprise funds, and other funds unless specifically exempt.

Investment Objectives

Short Term Operating Funds-General Funds:

Massachusetts General Law Chapter 44, Section 55B requires the Town Treasurer to invest all public funds except those required to be kept liquid for purposes of immediate distribution.

Funds are to be placed at the highest possible rate of interest reasonably available, taking account safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the Town's business.

The primary objectives, in priority order, shall be:

- **Safety**-Safeguarding principal is the primary objective of the Town's investment policy. Investments shall be made in a manner that preserves the portfolio's capital/principal investment. In consideration of maximizing safety objectives; the Town shall minimize both credit and interest rate risks. The Town will minimize interest rate risk by diversifying in a "laddered" type of investment to spread out maturities of Certificates of Deposit, Treasuries and Government Agency Bonds.
- **Liquidity**-The investment portfolio shall remain sufficiently liquid to meet all operating requirements. The Treasurer shall consider both static and dynamic liquidity when measuring liquidity. Additionally, a portion of the portfolio shall be maintained in money market and local government investment pools, e.g. the Massachusetts Municipal Depository Trust (MMDT).
 - Static Liquidity; structuring the portfolio in order to match investment maturities with anticipated uses.
 - Dynamic Liquidity; maintaining investments with active secondary and resale markets.
- **Yield**-The investment portfolio shall be designed with the objective of attaining a market rate of return taking into account the investment risk constraints and liquidity needs. The Town's investments shall be restricted to the list of legal investments as maintained by the Division of

Banks as proscribed by MGL Chapter 167, Section 15A & B for Trust and Agency Funds and Chapter 314 for the General Fund. No exceptions to this list shall or can be approved.

- Local Considerations-funds may be invested for the betterment of the local economy provided that such investments provide, and can demonstrate, a direct community benefit.

Short Term Investment Instruments-General Funds

Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, although at a cost to the town of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may invest in the following instruments:

1. Massachusetts State pooled fund: Unlimited amounts
2. U.S. Treasuries that will be held to maturity: Unlimited amounts (up to one year maturity from date of purchase)
3. U.S. Agency obligations that will be held to maturity: Unlimited amounts (up to one year maturity from date purchased)
4. Bank accounts of Certificates of Deposit: Unlimited amounts (up to one year insured by F.D.I.C. and in some cases also the Depository Insurance Fund of Massachusetts)
5. Unsecured bank deposits of any kind such as checking, savings, money market, or Certificates of Deposit accounts at banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than (five) 5% of an institution's assets and no more than (ten) 10% of a municipality's cash. Their credit worthiness will be tracked by Veribanc or other bank credit worthiness reporting systems, and they will be diversified as much as possible. Exceeding these limits will place the excess amounts on a watch list.

Trust and Stabilization Funds

Trust Funds may be co-mingled and invested in any instrument allowed by the Legal List issued by the Banking Commissioner. Each trust fund must be accounted for separately. Stabilization funds shall not exceed (ten) 10% of the equalized valuation of the Town, and any interest shall be added to and become a part of the fund. The Treasurer may invest the proceeds in the following:

- ◆ National Banks
- ◆ Savings Banks
- ◆ Cooperative banks or trust companies organized under Massachusetts laws
- ◆ Securities legal for savings banks as described on the Legal List
- ◆ Federal Savings and Loan Association situated in the Commonwealth
- ◆ Massachusetts Municipal Depository Trust
- ◆ Equity Holdings from Division of Banks-List of Legal Investments

Investment Parameters

It is the policy of the Town to diversify its investment portfolio. To eliminate risk of loss resulting from an over-concentration of assets, all investment securities shall be diversified by asset class, maturity, issuer, and class of security. Diversification and asset classification strategies shall be determined, reviewed at least quarterly, and revised when appropriate.

In establishing asset allocation strategies, the following components shall be considered:

- Equities, fixed income, and cash investments
- Equity holdings will adhere to Division of Banks-List of Legal Investments
- Bond maturities shall be staggered and provide stability of income and liquidity
- Risks of market volatility shall be controlled through equity and maturity diversification

Equity Allocation

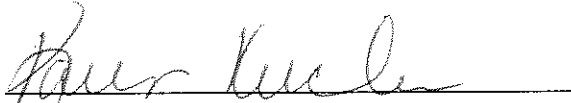
Equity holdings will be permitted in Pooled Trust funds (including Stabilization). Holdings shall be selected from the Division of Banks-List of Legal Investments. The Treasurer will work with the Town's financial advisor to determine appropriate allocations.

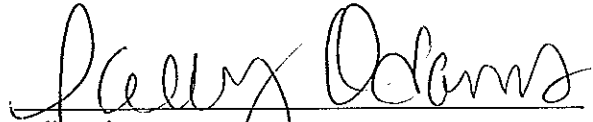
Equity Allocation Parameters

<u>Account</u>	<u>Minimum (%)</u>	<u>Target (%)</u>	<u>Maximum (%)</u>
Cemetery Funds	0	12	30
Conservation Funds	0	12	30
Escrow Accounts	0	12	30
Library Funds	0	12	30
Miscellaneous Funds	0	12	30
Planning Board	0	12	30
Scholarship Funds	0	12	30
Stabilization Funds	0	12	30
Community Preservation	0	12	30

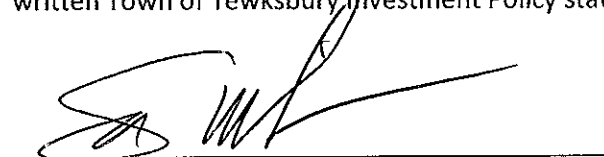
Operational Procedures and Internal Controls

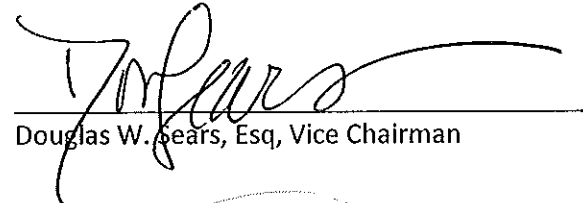
Authorized Financial Institutions-The Town shall only conduct business with qualified/authorized financial institutions as recommended by GFOA best practices.

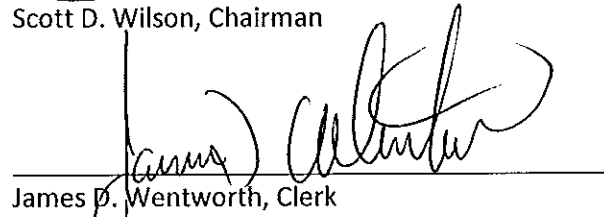

Karen Kucala
Finance Director

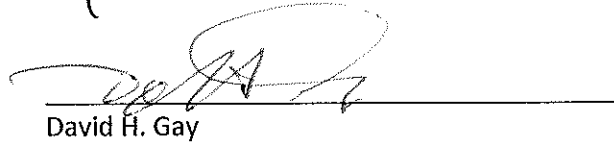

Kelly Odams
Treasurer/Collector

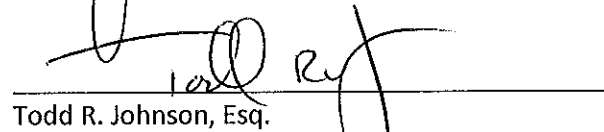
We, the Town of Tewksbury Board of Selectmen, do hereby set our hands in approval of the above written Town of Tewksbury Investment Policy statement.


Scott D. Wilson, Chairman


Douglas W. Sears, Esq, Vice Chairman


James D. Wentworth, Clerk


David H. Gay


Todd R. Johnson, Esq.

12/17/13
Date Adopted